

Approved For Release 1999/09/09 : CIA-RDP82-00457R007400320011-7

SECRET

25X1A

## CENTRAL INTELLIGENCE AGENCY

- 2 -

- |                                        |                                      |
|----------------------------------------|--------------------------------------|
| a. Secretariat                         | f. Administrative Committee          |
| b. Organization and Training Committee | g. Publicity Committee               |
| c. Finance Committee                   | h. Planning and Reconstruction       |
| d. Military Committee                  | i. Overseas Affairs Committee        |
| e. Foreign Relations Committee         | j. Editing and Compilation Committee |

"Basic Personnel Committees shall be established in all cities, provinces, and foreign countries. Each organization shall be set up according to the needs and circumstances of its particular conditions, and regulations to this effect shall be drawn up accordingly."

3. For immediate action, HSU has stated that his program is to cooperate with anyone dedicated to combating the Peiping regime. This includes the Nationalist government, although the Confederation will be kept free of Nationalist control. When the Communists have been ousted, HSU plans to retire again, leaving the government of China to be decided by a free election. His only suggestion for future administration is that considerable power should be granted to the provinces, since local differences are so great in China that a concentrated central government such as that of Nanking is impractical.
4. HSU, now 64 years old, was graduated from the Tokyo Military Academy; he has many Japanese friends and speaks the language fluently. In 1920 he was commissioned by SUN Yat-sen as commander in chief of Kuomintang forces in Kwangtung (the equivalent position in Kwangsi was held by LI Tsung-jen) and served until 1923, with CHIANG Kai-shek as his chief of staff. When SUN called on the USSR for aid in 1923, HSU took the firm anti-Communist stand he has maintained ever since. This attitude led to an order from the USSR through Mikhail Borodin for CHIANG to dispose of HSU. In 1924, when a shipment of arms arrived in Canton on a Soviet gunboat, CHIANG forced HSU to go aboard and be transported to Shanghai. There he lived in exile in the International Settlement until 1939.
5. From 1939, when HSU went to Hong Kong to live, until 1943, his Japanese friends tried to give him a position in the puppet government of China (he was offered the presidency), but he steadfastly refused. He remained in Hong Kong, where the favor of the governor, General ISOGAI, who had been his schoolmate in Tokyo, permitted him to engage in profitable smuggling and opium deals with CH'EN Wei-chou (陳維周), brother of CH'EN Chi-tang (陳濟棠), last Nationalist governor of Hainan. Since the war, HSU has changed his way of living, given up many of his former dissipations, and returned to politics in order to oppose the Communists.
6. HSU was condemned even by his supporters for his dissipation and indolence; it was partly these factors which led to his ousting by CHIANG. He is now in good physical condition, however, plays tennis regularly, and is working actively on his third force plans. HSU is generally conceded to be a good fighter and a good leader, in spite of being poor at both organization and administration. He is personally well-liked by nearly everyone and is respected by his fellow officers. His sincerity, honesty, and reputation for clear-cut and unambiguous statements, and his generosity and courtesy appeal to the Chinese. Moreover, the fact that he was once CHIANG's military superior and is one of the most senior Nationalist commanders gives him enormous prestige. There is even a story that in 1943 CHIANG wrote to HSU that if he were unable to cope with the situation, he would resign in HSU's favor.
7. HSU counts on obtaining support from a number of different directions: some guerrillas already fighting Communism on the mainland, former Nationalist troops now in the Communist armies, members of the Nationalist government

SECRET

SECRET

25X1A

## CENTRAL INTELLIGENCE AGENCY

- 3 -

who are dissatisfied with its policies, groups which formerly collaborated with the Japanese, and Japanese military circles interested in anti-Communist work. Support, in varying degrees, has already been promised or hinted from these elements. HSU also hopes to obtain assistance, particularly funds, from the United States.

8. Among those who have offered active support, his immediate circle of aides and advisers in Hong Kong includes the following:

- a. HUANG Chao-tung (黃兆麟), the adviser who is drawing up HSU's political platform, is manager of the Wah Mei Bank in Hong Kong. He is a graduate of the University of Washington. He is also conducting negotiations with guerrilla and Nationalist leaders for HSU.
- b. Dr. C. T. WANG,\* former Foreign Minister, has agreed to assist HSU on foreign affairs. WANG claims to be in contact with Indian diplomatic sources who have informed him that the Chinese Communists and the Indians agree in principle not to let the yellow races fight one another but to keep them fighting the white race. WANG was educated at Yale and served as Foreign Minister until his indecisive policies forced him out of office in 1931. Although he was a fellow provincial of CHIANG Kai-shek from Chekiang, he never received another official position, and this neglect made WANG glad to support some non-Nationalist leader.
- c. CHANG Fa-kuei (張發奎)\* agreed to be responsible for military operations in Kwangtung and Kwangsi. In early October, he was in consultation with political analysts and university professors, including WU Tsao-ch'ih (伍朝樞),\* LI Wei-ch'en (李微塵),\* and HSIEH Ch'eng-p'ing (謝澄平)\*, to discuss political aspects of the situation. Although CHANG had originally planned to support LI Tsung-jen, he had become so dissatisfied with LI's failure to act that he went over to HSU. Later, when he was publicly asked about his relations with HSU, CHANG denied the connection, on the advice of his aide LI Wei-ch'en.
- d. CHANG Chin-mai (張君勱) (Garson CHANG)\*, former head of the Democratic Socialist Party, gave HSU assurance of support in late December.
- e. FENG Hai-chao (馮海潮),\* influential rightist labor leader in Hong Kong, offered HSU support.
- f. LIU Pao-chin (劉寶鈞), executive member of the Democratic Party, contemplates backing HSU, although the powerful branches of the party in Canada and the United States ordered the Hong Kong membership to establish connections with CHIANG Kai-shek and open a liaison office in Taipei.
- g. CHAO Ping (趙冰), Hong Kong barrister and head of the National Liberal Party, has been a friend of HSU for a long time and will give some support.
- h. Persons designated as HSU's aides (exact capacities not stated) in Hong Kong include:
 

CH'EN Chung-fu (陳中夫)*	KUAN Su-jen (關素人), secretary
HSU Ling-yün (許齡筠), cousin	TSAI Hao-p'eng (蔡鵬鵬)
HU Chang-wen (胡章文)	WANG Jo-chou (王若周)*
HUANG Ch'ien-i (黃謙益) (James HUANG)	

SECRET

SECRET

25X1A

## CENTRAL INTELLIGENCE AGENCY

- 4 -

9. HSU's relations with the Nationalists, although he says he will work with CHIANG and expects support from some elements, are still uncertain. Many veteran Kuomintang leaders in Taiwan, such as TSOU Lu (鄒魯),\*\* CHU Cheng (居正), and LI Shih-chen (李士珍), support HSU and with CH'EN Han-tzu (陳漢子), a banker and HSU's friend, took an oath in Peiping in 1928 to fight Communism to the end. HSU plans to inform CHIANG Kai-shek of his activities and to cooperate with him. CHIANG's attitude toward HSU, however, appears slightly less frank. Three Nationalist representatives were sent to Hong Kong in late 1950 to observe HSU and report on his plans:
- HO Ch'eng-chün (何成濬), former governor of Hupeh, was in Hong Kong in November and December 1950 with the specific task of studying third force activities. He told HSU that the Gimo was interested in his third force movement and would be willing to cooperate but that CHIANG Ching-kuo would certainly oppose HSU. CH'EN Ch'eng had sent his regards. HSU's aides denied that HO had offered any money or persuasions to HSU for any purpose and stated that no definite alignment with the Gimo was made. In private HO confided that in spite of outward improvements in Taiwan, CHIANG was as dictatorial as ever, a statement HSU regarded as a probable bid for his confidence. Relations in Hong Kong were cordial, and HSU gave a dinner in HO's honor. HO left Hong Kong to return to Taiwan by ship on 8 January 1951, promising to return as CHIANG's liaison officer to HSU.
  - TUAN Mu-chieh (端木傑)\*\* also visited Hong Kong during December as an emissary from Taiwan. He told the public that Taiwan was in good condition but told HSU privately that actually it was still in bad shape. TUAN also tried to sound out HSU's position and intentions.
  - LEI Chen (雷震) spent some time in October trying to convince all the third force elements in Hong Kong that they should give up their individual efforts and support CHIANG. He interviewed HSU, among others, and told him that CHIANG intended to start his offensive against the Communists in Kwangtung, rather than as had been previously intimated, in Chekiang. LEI was in Hong Kong from the first to 23 October.
10. In early January, HSU intimated that he had learned that several democratic (non-Communist) leaders in Peiping had offered him their support unsolicited, but he did not name them. He did state, however, that he expected to be aided by defections of former Nationalist leaders and troops now under the Communist banner, including especially the following:
- At least 450,000 Communist troops in north and central China would defect as soon as he had established a base on the mainland in South China. He did not define these troops or leaders but stated that they had remained intact units not subject to direct Communist control or influence. This estimate was raised by KUAN Su-jen to two million troops, still unspecified.
  - General LIU Wen-hui (劉文輝),\*\*\* governor of Sikang, who had accumulated four million (US) dollars worth of gold bars and lost them to the Communists when they came in. He has about 70,000 troops between Szechuan and Sikang which he would turn against the Communists at the first opportunity.
  - FU Tso-1\*\*\* will join HSU when a South China base is available, and other generals in the Northwest have also expressed their willingness to defect.
  - Numerous (unnamed) former Nationalists who defected to the Communists because of opposition to CHIANG Kai-shek but would support any anti-Communist leader except CHIANG if the occasion looked favorable.

SECRET

SECRET

25X1A

## CENTRAL INTELLIGENCE AGENCY

- 5 -

11. Through HUANG Chao-tung, HSU in November approached LIU Ts-chung (劉德中), an Annamese leader in Hong Kong, with the object of securing the release of the 40,000 Nationalist soldiers interned in Indochina. LIU, however, believes that these troops, under HUANG Chieh (黃杰), have already sworn allegiance to CHIANG. One of HUANG's subordinates in Hong Kong had been told by the commander that the troops would return to China early in 1951.
12. HSU's approach to support from the United States has been indirect. One of the third force aides, Lt. General WEN Ying-hsing (溫應星), who was a fellow student of General Bradley at West Point, is in correspondence with the general and has informed him of HSU's plans. HSU hopes to send WEN to the United States to present the third force operational plans in person as soon as he has the funds necessary for the journey. WEN, however, is a blunt soldier and has no gift for missions or diplomacy; his earlier attempts to secure aid for LI Tsung-jen in Washington were completely unsuccessful. HSU has intimated that he has other means of establishing contact with American authorities but has not stated them definitely. He believes, with all the other Chinese, that whichever third force leader the United States supports will be successful.
13. For his principal support, however, HSU counts on the backing of his Japanese friends. He has maintained the contacts made during his student days in Tokyo and has always had very cordial relations with the Japanese, particularly with the older military leaders, who favor a conservative program, rather than the younger, jingoist, ultra-military group. Through his early friends, HSU has been informed that the army of approximately 100,000 Chinese trained and equipped by the Japanese between 1941 and 1944 can be counted in the third force strength. These units, although they were turned over to LIN Piao after the war, the Japanese believe can be re-defected by their former commanders. Among HSU's Japanese backers are former Finance Minister IKEDA, General OKAMURA Yasuji,\*\*\*\* veteran liberal leader UGAKI, and some Japanese financiers. Their interest is said to be commercial rather than exclusively military.
14. A Japanese Lt. General YAKI (矢野)\*\*\*\* visited Hong Kong in late August 1950 to present the Japanese case to HSU. He was chief of intelligence and special service work in Canton from 1939 to 1941 and later did similar work in Hong Kong. YAKI, a Chinese scholar and well acquainted in south China, was one of the Japanese army's Chinese experts.
15. During the fall, HSU indicated that he would have another Japanese visitor by the end of 1950. He stated at the end of November that the Japanese was Lt. General ETO Toshihiko (衛藤俊彦), a former division commander who had served in a political office during the Japanese occupation of Hong Kong. He owns some buildings, including the former Tokyo Hotel (later the Cosmos Club) in Pottinger Street and Connaught Road Central, Hong Kong. ETO planned to open an office in Macao as a merchant and to enter Hong Kong as a commercial dealer.
16. At the end of December, ETO wrote HSU that he would arrive from Japan shortly with a cargo of woolen materials and other goods valued at approximately US \$350,000, which would be sold to furnish operating expenses for HSU's campaign. It developed at this point (HSU did not clear up the discrepancy between this and his earlier statement) that ETO was not a military man but a merchant who had operated pre-war businesses in both Hong Kong and Honolulu and had also published the Hong Kong Daily News in Japanese, Chinese, and English editions. During the war he continued the English edition in the South China Morning Post building. ETO is connected with UGAKI and many of the elder generals and leading Japanese financiers. The cargo he was bringing was contributed by Japanese

SECRET

SECRET

25X1A

## CENTRAL INTELLIGENCE AGENCY

interested in clearing China of Communism and re-establishing trade with Japan. At one time in November, however, HSU had stated that he would have to raise HK \$50,000 in connection with this goods shipment.

17. HSU hoped that the funds from the sale of this cargo would enable him to purchase weapons and other necessary supplies and to commence guerrilla activities immediately. He planned to use part of the money to pay an organized working staff. He stated, however, that although this financial aid from Japan was enough to begin on, he would have to have military support from the United States in order to accomplish any permanent results. In addition he expected to draw some financial aid from his war-time business partner CH'EN Wei-chou.
18. HSU is admitted even by his supporters to be less competent and less purposeful than CHIANG, but he commands respect and liking from many leaders who feel that CHIANG has betrayed them for his own benefit. One of his supporters summed up the position as follows: HSU is fairly well informed on current problems, but his present advisory staff is not particularly strong. He needs a better staff. He is mentally alert and physically well, and he has the esteem and respect of his former subordinates, a useful quality in leadership of the Chinese. His seniority to other military commanders is a great advantage, because one Chinese general would be just as good as another in leading an anti-Communist movement and any arbitrary selection would lead to much jealousy from the others, whereas HSU's senior position is undisputed. He would be preferred to SUN Li-jen, the only Chinese general really well trained in modern warfare, because the latter is very junior in service and has little prestige. HSU has the temperament to take suggestions from American military advisers and he could command the support of many Chinese groups.
19. Others, not so enthusiastic, point out that in some ways HSU's close association with the Japanese will be a handicap to him. Moreover, he and LI Tsung-jen are actually of equal seniority in military command. LI's relations with HSU and his group have not been stated by either side, although several persons usually considered to be aligned with LI, such as CHANG Fa-kuei, have expressed interest in HSU's cause.
20. One of the factors which urged HSU out of his retirement was information given him in July 1950 by a former subordinate (unidentified), now important in the Chinese Communist government, that the Chinese Communists would participate in large-scale activities in the ensuing winter but would suffer reverses through them. He intimated that HSU might take advantage of this situation. On HSU's own estimate, the Communists will remain in power for three more years. World War III will begin, he thinks, in summer 1951, and after three years both the USSR and Communist China will be defeated and the Kuomintang will return. He maintains that it is the leaders of the KMT rather than its principles which need changing.
21. HSU claims to have predicted the German attack on the USSR six months in advance and to have given the information to Sir Archibald Clark-Kerr (now Lord Inverchapel), at that time British ambassador in China, who forwarded it to London. He also forecast the Japanese attack on Pearl Harbor and communicated the information to an American consul in Hong Kong in mid-1941, but he cannot recall the American's name. On the basis of these earlier events, HSU feels that his present analysis of the situation may be of value.

SECRET

**CONFIDENTIAL**

25X1A

**Comment.** According to several other sources, some of these persons have promised their support to other leaders instead of to HSU:

CHANG Chun-mai: Supporter of LI Tsung-jen; see [redacted]  
CHANG Fa-kuei: Has denied supporting LI Tsung-jen, the Nationalist third party, and other leaders. The general impression as of July 1950 appeared to be that he was actually supporting LI. The Communists, according to one source, were trying to bring him back to the mainland; according to a November Communist news release, on the other hand, he had been appointed guerrilla commander in South China by General MacArthur. CHANG denied both these statements.  
CH'EN Chung-fu: Manager of QMSNC during the war, an official of the Wang Ching-wei government; now living in Hong Kong and interested, with other puppet officials, in contact with anti-Nationalist forces. He is a graduate of Tokyo Imperial University.  
HSING Hui-shao: Head of the pro-Nationalist Hong Kong and Kowloon Trade Union Council.  
HSIEN Ch'eng-p'ing: Member of the Young China Party.  
LI Wei-ch'ien: Highly regarded by both anti-Communist and anti-Nationalist groups in Hong Kong in early 1950 and affiliated with the Young China movement.  
WANG: In July 1950 aligned with the Nationalist-sponsored third party movement.  
WANG Jo-chou: Reported in April 1950 working with HSUEH Yueh and LI Fu-lin on Nationalist guerrilla activities.  
WU Tsao-ch'ih: Nominal head of the Social Democratic Party, reported supporting HSU Chung-chih.

25X1A

**Comment.** The strength of HSU's position is probably exaggerated in this report.

25X1A

**Comment.** The claims of Nationalist support for HSU appear rather weak. TSOI Lu, however, has been reported as opposed to the increasing power of CHIANG Ching-kuo in the Nationalist government. TUAN Mu-chieh remained in Hong Kong after many other Nationalist officials had joined the government in Taiwan because he feared retribution for the defection of the air and shipping companies to the Communists while he was Minister of Communications.

25X1A

**Comment.** LIU defected to the Communists in December 1949. His troops were reported in March 1950 to be disaffected and showing anti-Communist tendencies. The status of FU Tso-i has been doubtful ever since his defection to the Communists, although he received the appointment of Minister of Water Conservancy in the Communist government. His return to the anti-Communist camp has been persistently rumored but never effected.

25X1A

**Comment.** OKAMURA's name has been constantly associated with Chinese-Japanese military combinations in 1949 and 1950.

25X1A

**Comment.** A Japanese Colonel IWASHITA was reported in the Hong Kong Tiger Standard of 12 September 1950 as visiting a retired Nationalist general in Hong Kong to discuss Sino-Japanese cooperation. Although not named, the general with whom he was conferring was assumed in Hong Kong to be HSU. A Japanese General YAZAKI or IZAKI was mentioned in the same article as having been expected in Hong Kong earlier but never having arrived. Source, who gives the name as YAKI, states definitely that he did come and that it was HSU he came to see.

**CONFIDENTIAL**